

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201529015**
Release Date: 7/17/2015
Date: **April 23, 2015**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X=
Y=
Z=
E=
F=
G=
d dollars=

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(c)).

Description of your request

Your letter indicates you will operate a scholarship program called X.

Your purpose is to provide financial assistance of scholarship grants to students who are or will be attending a degree granting university.

The purpose of X is to provide scholarship grants and loan assistance to students. Scholarship applicants will come from Y, although you may expand the residence requirement to include other states in the future. You will award a total of Z scholarships. You will award E scholarships in the first year, F scholarships in the second year, and G scholarships in the third year. You may choose to increase or decrease the number of scholarship grants in future years per your experience with the first group of applicants, the level of need, and the availability of your assets. Each scholarship will be in the amount of d dollars.

Applicants must meet the following criteria to be eligible for X:

- Reside in the State of Washington
- Have a minimum grade point average ("GPA") of 3.0 on a 4.0 scale
- Have demonstrated financial need
- Have ambition and focus on goals and future
- Submit recommendations from two teachers and one counselor or school administrator
- Agree to be mentored and mentor others
- Agree to maintain an ethical code of conduct as a scholarship grant recipient and mentee

In order for a scholarship to be renewed, the applicant must agree to mentor another scholarship grant recipient by providing support and advice about how to be academically successful. Your President will serve as the initial mentor by providing support, leadership development opportunities, and ongoing advice to the first five scholarship grant recipients. Additionally, for grants to be renewed, a scholarship grant recipient must maintain continuous enrollment and remain in good standing with his or her educational institution, subject to exceptions that your Board may make to accommodate extenuating circumstances (for example, a temporary withdrawal due to the illness of a close family member).

You will disburse scholarship grant funds only to educational institutions and will require such institutions to return those funds if a scholarship grant recipient fails to enroll or drops out of the institution's program. You will require an annual narrative report from each scholarship grant recipient in all cases. In the annual report, scholarship grant recipients will be asked to describe their mentoring experience and share ideas for ways to improve that aspect of the Program. Additionally, you will require the scholarship grant recipients to submit bi-monthly e-mail updates reporting academic and other campus engagement.

Your selection committee initially will be composed of your president and vice-president. After the first year, your board may add other members to your selection committee with educational or other appropriate backgrounds. The credentials you require to serve on the selection committee include experience screening applicants for competitive positions

and experience in interviewing candidates. Your selection committee members must demonstrate commitment to your mission and passion for providing opportunities to underserved students who have set their ambition on pursuing secondary academic opportunity.

Your officers, directors, and substantial contributors are not eligible for X. Your selection committee members and the children or relatives of such persons are not eligible for X.

You will maintain copies of each application and accompanying documentation, which will include:

- the name and address of the applicant
- the high school or college currently being attended by the applicant
- the name of the school the applicant plans to attend
- the amount of the scholarship grant
- the criteria relied upon by the selection committee
- the annual narrative reports submitted by scholarship grant recipients
- copies of students' transcripts
- confirmation that the applicant bears no relationship to Foundation Officers or Directors, substantial contributors to the Foundation, or members of the Selection Committee

The Foundation expects to maintain these records for a period of at least four years after the time the scholarship grant recipient has graduated from (or failed to remain enrolled in) the school he or she attended (or was expected to attend). You will periodically review its case histories to evaluate the effectiveness and history of the Program.

In the event of a misuse of funds, you will conduct an investigation to determine if the situation is a mistake, whether it can be corrected and then take appropriate action, as required by Section 53.4945-4(c)(4) of the Treasury Regulations. Under certain circumstances, you will seek the return of some or all of the grant funds.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination covers only the grant/loan program described above. This approval will apply to succeeding grant/loan programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot make grants/loans to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant/loan distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations